

## Message Text

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PAGE 01 VIENNA 08549 211602Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05  
CEA-01 /081 W  
-----058622 220310Z /13  
R 211531Z SEP 77  
FM AMEMBASSY VIENNA  
TO SECSTATE WASHDC 3416

C O N F I D E N T I A L VIENNA 8549

EO 11652: GDS  
TAGS: PDIP, AU  
SUBJECT: CALL ON CENTRAL BANK PRESIDENT HANS KLOSS

REF: 1. VIENNA 8196, 2. VIENNA 8514

1. IN VERY CORDIAL MEETING WITH AUSTRIAN NATIONAL BANK  
PRESIDENT HANS KLOSS, I WAS TREATED TO AN EXTREMELY FRANK  
ACCOUNT OF AUSTRIA'S CURRENT ECONOMIC CONDITION. COMING,  
AS ID DID, THE DAY AFTER THE GOA ECONOMIC CAUCUS (WHERE THE  
GOVERNING PARTY'S LEADERS WRESTLED WITH POSSIBLE SOLUTIONS  
TO IMMEDIATE ECONOMIC PROBLEMS), THIS WAS ESPECIALLY TIMELY.  
IN KLOSS' VIEW, AUSTRIA CAN NO LONGER AFFORD ITS GROWING  
TRADE AND BUDGET DEFICITS. INITIAL HOPES THAT THESE MIGHT BE  
PURELY CYCLICAL HAVE NOT BEEN DISMISSED BY ALMOST EVERYBODY,  
AND THERE IS WIDESPREAD AGREEMENT THAT MORE STRINGENT MEASURES  
ARE NEEDED. TO WHAT EXTENT NECESSARY MEASURES ARE TOLERABLE  
FROM THE POLITICAL STANDPOINT, HOWEVER, IS A STILL TOUGHER  
QUESTION. FOR THE TIME BEING THAT QUESTION HAS BEEN NEATLY  
BEGGED BY THE ESTABLISHMENT OF A SPECIAL COMMISSION WHICH IS  
CHARGED WITH DRAWING UP THE POLICY PACKAGE TO BE  
ANNOUNCED IN TWO WEEKS-AFTER THE PROVINCIAL ELECTION  
IN BURGENLAND.

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PAGE 02 VIENNA 08549 211602Z

2. ACCORDING TO KLOSS, WHAT IS NEEDED IS A STRICT INCOMES  
POLICY THAT WOULD HOLD REAL WAGES AT CONSTANT LEVELS WHILE  
AUSTRIA'S INDUSTRY, NOW SHOWING SYMPTOMS OF AGE AFTER THE  
POST WORLD WAR II RECONSTRUCTION, CAN BEGIN TO BE RESTRUCTURED.

KLOSS AVOIDED SUGGESTING SPECIFIC POLICY MEASURES, SAYING  
SIMPLY THAT THESE MUST BE DECIDED BY THE POLITICIANS. HE

DID SAY, HOWEVER, THAT GIVEN CURRENT WAGE LEVELS THE SCHILLING WAS OVERVALUED, IMPLYING THAT DEVALUATION WOULD BE USEFUL PROVIDING THIS WAS ACCOMPLISHED BY WAGE CONTROLS.

3. COMMENT. ALTHOUGH KLOSS' PRESCRIPTION WILL BE TEMPERED BY POLITICAL REALITIES, I AM IMPRESSED WITH THE SERIOUSNESS OF THE CONSERVATIVE ECONOMIC LINE BEING TAKEN BY THE CHANCELLOR AND HIS PRINCIPAL ADVISERS AT THIS STAGE IN THE GAME. IN PART THIS MIGHT BE TACTICAL, BUT THERE SEEMS TO BE SOMETHING MORE-PERHAPS RELECTION ON THE LESSONS LEARNED FROM EXPERIENCE IN THE UK, ITALY AND ESPECIALLY SWEEN. IN ANY EVENT AN AWARENESS OF AUSTRIA'S ECONOMIC SHORTCOMINGS HAS SPREAD AND NEW COUNTERMASURES CAN BE EXPECTED. SOME LIMITATIONS AFFECTING IMPORTS SEEMS MOST LIKELY TO BE AMONG THESE. WOLF

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Executive Order:** GS  
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**Subject:** CALL ON CENTRAL BANK PRESIDENT HANS KLOSS  
**TAGS:** PDIP, ECON, AU, (KLOSS, HANS)  
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**Review Markings:**  
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